

# **RJR MERCHANDISER INSTALLATION TO "NEW WORLD"**

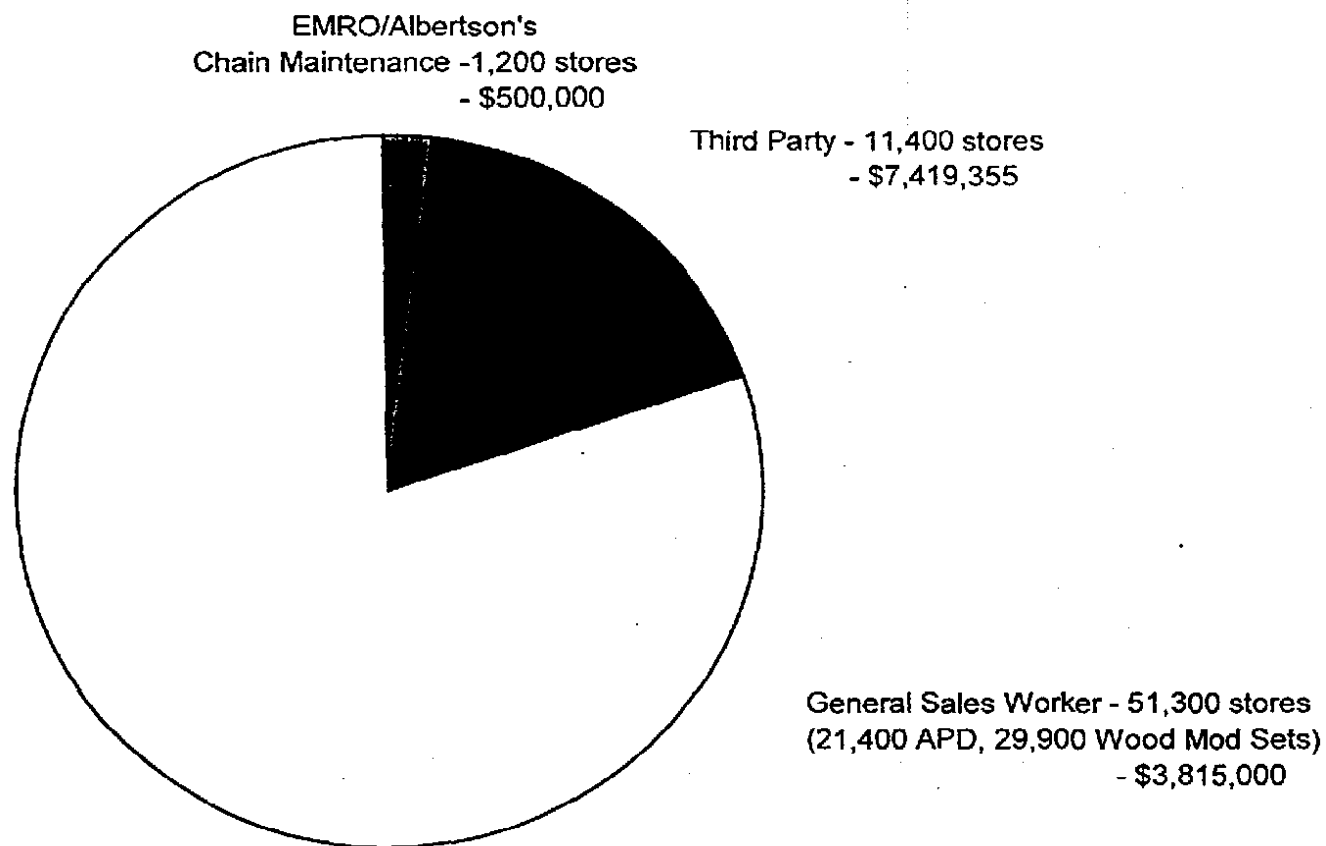
## **PLANNING FOR THE FUTURE**

**January 1998**

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**1998 OPERATING PLAN  
INSTALLATION BUDGET/RESOURCE ASSUMPTIONS\***

(Number of Stores/\$ Budget)



\* Excludes Settlement \$/Volume

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## **RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE**

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### **ISSUES GOING FORWARD**

- **BASED ON A POTENTIAL LEGISLATIVE / REGULATORY OUTCOME (I.E. SETTLEMENT PROPOSAL), WE DON'T KNOW:**
  - **HOW THE SIZE OF THE TOTAL PIE CHANGES.**
  - **HOW EACH SECTION OF THE PIE CHANGES.**
  - **THAT ADDITIONAL RESOURCES MUST BE ADDED AS A SECTION OF THE PIE; AND IN WHAT QUANTITIES.**

## **RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE**

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- **IN ORDER THAT WE MAY PLAN FOR RESOURCE ALLOCATION IN THE FUTURE, IT IS CRITICAL THAT WE GAIN FIELD SALES INPUT AS IT PERTAINS TO NET NEW FIXTURE INSTALLATIONS THAT MAY BECOME NECESSARY FOR RETAILER PRODUCT ACCESS COMPLIANCE.**
- **DUE TO LEGISLATIVE / REGULATORY OUTCOME AS IT PERTAINS TO THE INSTALLATION OF RJR MERCHANDISING, OUR FUTURE COURSE-OF-ACTION MAY VARY AS TO THE METHODS AND/OR RESOURCES WE REQUIRE TO PLACE ACCOUNTS IN COMPLIANCE WITH FUTURE PROPOSED RESTRICTIONS. FOR THE PURPOSES OF THIS DOCUMENT, IT SHOULD BE ASSUMED THAT ANY MEASURES NECESSARY FOR POINT-OF-SALE / ADVERTISING COMPLIANCE MUST BE COMPLETED WITHIN 5 MONTHS OF THE LEGISLATIVE / REGULATORY OUTCOME. LIKEWISE, FROM A MERCHANDISING PERSPECTIVE, THE NON-SELF-SERVICE COMPLIANCE TIMEFRAME SHOULD ASSUME A 9-MONTH PERIOD FOR COMPLETION.**

## **RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE**

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- **INFORMATION REQUESTED SHOULD REPRESENT YOUR BEST ESTIMATE OF THE MERCHANDISING RESOURCE YOU WILL REQUIRE IN THE FUTURE FOR NET NEW MERCHANDISING INSTALLATION. FOR INITIAL PLANNING PURPOSES, WE ARE OPERATING UNDER THE BROAD ASSUMPTION THAT THE GROSS MAJORITY OF POINT-OF-SALE COMPLIANCE WORK WILL BE PERFORMED BY THE RETAILER AND MINOR MERCHANDISING CONVERSION OF EXISTING FIXTURES WILL BE PERFORMED BY CURRENT RJR MANPOWER. SINCE FEEDBACK IS AN ESTIMATE, IT IS NOT INTENDED THAT THIS DOCUMENT GO BEYOND THE MANAGEMENT TEAM (DO NOT DISTRIBUTE AT THE SALES REP LEVEL).**
- **THIS INFORMATION IS INTENDED TO QUANTIFY THE METHOD OF INSTALLATION / CONVERSION YOU ESTIMATE THAT YOU WILL REQUIRE IN THE FUTURE. IT IS NOT THE INTENT OF THIS DOCUMENT FOR YOU TO BE ABLE TO QUANTIFY YOUR EXACT MERCHANDISING FIXTURE NEEDS AT THIS TIME.**

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### **RETAILER EXPECTATIONS**

- **STORE INSTALLATIONS WILL VARY BASED ON THE MERCHANDISING SCENARIO. ALL WE ARE ASKING FOR, AT THIS TIME, IS YOUR INPUT ON THE METHOD BY WHICH YOU ESTIMATE YOU WOULD EXECUTE NSS COMPLIANCE.**
- **IT IS EXPECTED THAT THE RETAILER (NOT RJR) IS COMMITTED TO SUPPLYING THE RESOURCES NECESSARY TO RELOCATE NON-CIGARETTE ITEMS IN THE STORE AND PROVIDE MAJOR ASSISTANCE IN INSURING FUTURE POINT-OF-SALE ADVERTISING COMPLIANCE, WHICH COULD LIKELY INCLUDE DESTRUCTION OF NON-COMPLIANT ITEMS.**
- **RJR WILL NOT COMMIT RESOURCES TO THE RE-MERCHANDISING OF NON-CIGARETTE ITEMS. THIS WORK SHOULD BE PERFORMED BY THE STORE PRIOR TO RJR'S SCHEDULED INSTALLATION.**
- **IF COMPETITORS ARE COST SHARING ON RJR FIXTURES, THEY SHOULD ALSO COST SHARE IN THE INSTALLATION OF THESE FIXTURES.**

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## RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE

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### **RJR EXPECTATIONS**

- RJR CURRENT MANPOWER WILL HANDLE THE SIMPLE CHANGES TO IN-STORE LOCATION OF RJR PLATFORMS.
- RJR CURRENT MANPOWER, IT IS ASSUMED, WILL INSURE THAT RETAILER'S POINT-OF-SALE ADVERTISING IS IN COMPLIANCE AND POSSIBLY REMOVE ANY ADDITIONAL ITEMS NOT PREVIOUSLY ADDRESSED BY THE RETAILER.
- RJR MUST MAXIMIZE COST EFFECTIVENESS WHEN SELECTING MERCHANDISING INSTALLATION RESOURCES.
- DUE TO THE POTENTIAL SCALE OF CONVERSION, RJR MUST SOLICIT ASSISTANCE FROM THE PARTICIPATING STORE OR CHAIN IN THIS ENDEAVOR.
- THE OVERWHELMING MAJORITY OF FUTURE MERCHANDISING INSTALLATIONS WILL OCCUR IN CONTRACTED STORES. THEREFORE, THE FEEDBACK REQUESTED BY WINSTON-SALEM WILL INCLUDE ALL CHAIN STORES ASSIGNED TO AN RJR HEADQUARTER POINT AND ONLY CONTRACTED INDEPENDENTS.
- FIELD SALES INPUT WILL BE NECESSARY AS IT PERTAINS TO # OF STORES AND APPROPRIATE RESOURCE BUCKET.
- ALL ASSOCIATED COSTS WILL BE ESTIMATED IN WINSTON-SALEM BASED ON HISTORICAL COST ASSUMPTIONS.

## RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE

TARGET	RESOURCE / PRIORITY	HIRING / MANAGEMENT RESPONSIBILITY
<b>LARGE NATIONAL CHAINS</b> <ul style="list-style-type: none"> <li>• GEOGRAPHICALLY DISPERSED</li> <li>• ALL AE CHAINS</li> <li>• LEVEL 2 &amp; 3 CONTRACTS</li> <li>• TOP 150 CHAINS HAVE GREATER THAN 50 STORES</li> <li>• LABOR INTENSIVE/SPECIALIZED LARGE SCALE INSTALLATIONS (ACCT. EXEC/KAM ACCOUNTS)</li> </ul>	<ul style="list-style-type: none"> <li>• FIRST PRIORITY-SELL CHAIN MAINTENANCE AT NO COST TO RJR</li> <li>• SECOND PRIORITY-SELL CHAIN MAINTENANCE AT REIMBURSED COST TO RJR</li> <li>• LAST PRIORITY-NATIONAL TPI</li> </ul>	AE / KAM - CHAIN MAINTENANCE SMMO - NATIONAL TPI
<b>REGIONAL MEDIUM-SIZE CHAINS</b> <ul style="list-style-type: none"> <li>• GEOGRAPHICALLY TIGHT (MAJORITY OF STORES IN REGIONAL BOUNDARIES)</li> <li>• CHAIN HAS 50-150 STORES (KAM/AM ACCOUNTS)</li> </ul>	<ul style="list-style-type: none"> <li>• FIRST PRIORITY-SELL CHAIN MAINTENANCE AT NO COST TO RJR</li> <li>• SECOND PRIORITY-SELL CHAIN MAINTENANCE AT REIMBURSED COST TO RJR</li> <li>• LAST PRIORITY-LOCAL INSTALLERS</li> </ul>	KAM/AM - CHAIN MAINTENANCE ROM/MATERIALS COORD. - LOCAL INSTALLERS
<b>LONG-TERM COMMITTED INDEPENDENTS / SMALL LOCAL CHAINS</b> <ul style="list-style-type: none"> <li>• GEOGRAPHICALLY TIGHT WITHIN DIVISION BOUNDARIES</li> <li>• CHAIN HAS 1-50 STORES (S/R, AM, DM ACCOUNTS)</li> </ul>	<ul style="list-style-type: none"> <li>• FIRST PRIORITY - SELL STORE MAINTENANCE AT NO COST TO RJR</li> <li>• SECOND PRIORITY - SELL STORE MAINTENANCE AT REIMBURSED COST TO RJR</li> <li>• LAST PRIORITY - RJR PART-TIME PERSONNEL OR TEMPORARY LABOR</li> </ul>	FIELD SALES - STORE MAINTENANCE <ul style="list-style-type: none"> <li>• TEMPORARY LABOR</li> <li>• CURRENT/PROPOSED RJR PART-TIME</li> <li>• CURRENT RJR HEADCOUNT</li> </ul>

### CONSIDERATIONS / ISSUES TO BE ADDRESSED:

- IMPACT OF ADDITIONAL WORKLOAD / STAFFING
- 1998 FUNDING FOR ADDITIONAL INSTALLATIONS / PERSONNEL
- RJR PERSONNEL MUST BE ON-LOCATION FOR CONFIRMATION OF SUCCESSFUL IMPLEMENTATION

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## FOR YOUR INFORMATION - NO FEEDBACK NECESSARY IN TERMS OF COST

### ESTIMATED COST BY RESOURCE BUCKET

RESOURCE	EST. COST (RANGE)	KEY BENEFITS
GENERAL SALES WORKER or TEMPORARY LABOR (Kelly, Manpower, etc.)	\$11 Hr. (Fully Loaded w/Benefits)	<ul style="list-style-type: none"> <li>• LOWEST LABOR COST</li> <li>• ELIMINATES ADDITIONAL TRAVEL EXPENSES</li> <li>• MORE STREAMLINED PROCESS AND LESS HAND-OFFS</li> <li>• GSW FAMILIARITY WITH RJRT MERCHANDISER RACKS AND PROMOTION</li> </ul>
LOCAL INSTALLER	\$20 Hr.	<ul style="list-style-type: none"> <li>• FASTER TURNTIME ON URGENT LOCAL/SMALLER INSTALLATIONS</li> <li>• MORE RESPONSIVE AND FLEXIBLE TO MEET SERVICE LEVEL TO RETAILERS</li> <li>• BROADER SKILLS FOR INSTALLER (I.E. HEAVY CONSTRUCTION AND ELECTRICAL)</li> </ul>
STORE MAINTENANCE	\$30 - \$40 Hr.	<ul style="list-style-type: none"> <li>• INSTALLERS FAMILIAR WITH STORES AND LAYOUTS</li> <li>• STORES MORE RECEPTIVE TO SCHEDULING INSTALLATIONS AND DISRUPTIONS</li> <li>• STORES RESPONSIBLE FOR ALL INSTALLATIONS/FEWER COMPLAINTS</li> <li>• ELIMINATES ADDITIONAL TRAVEL EXPENSES</li> </ul>
NATIONAL TPI	\$50 - \$70 Hr.	<ul style="list-style-type: none"> <li>• RAPID AND EFFICIENT INSTALLATION (ESP. LARGE CHAINS)</li> <li>• MINIMIZES FIELD INVOLVEMENT</li> <li>• FAMILIARITY WITH RJRT MERCHANDISER RACKS</li> <li>• BROADER SKILLS (I.E. HEAVY CONSTRUCTION AND ELECTRICAL)</li> <li>• CENTRALIZED CONTROL, SCHEDULING AND MONITORING</li> </ul>

## **RJR MERCHANDISER INSTALLATION - PLANNING FOR THE FUTURE**

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**COMMUNICATION / EXPLANATION TO THE FIELD FROM THE NTMM WILL OCCUR VIA:**

- 1) TOPIC OF DISCUSSION IN UPCOMING RSM MEETING**  
(IF ONE IS ALREADY OR WILL BE SCHEDULED IN THE IMMEDIATE FUTURE).
- OR**
- 2) A SCHEDULED CONFERENCE CALL WITH AVP, AMO, RSM's, AE's & ROM's.**  
(DISCUSSION / EXPLANATION TO BE LEAD BY NTMM)

**PRE-FORMATTED SPREADSHEETS WILL BE DELIVERED TO FIELD SALES**

- 1) INFORMATION WILL GO OUT VIA E-MAIL TO ASSIST IN COLLATION / ROLL-UP.**
- 2) SPREADSHEETS WILL BE BROKEN BY:**
  - ACCOUNT EXECUTIVE CHAINS
  - KEY ACCOUNT DIVISION
  - SALES DIVISION

**ROLL-UP WILL OCCUR AT EACH LEVEL**

- 1) REGIONS WILL ROLL-UP CHAIN AND SALES DIVISIONS INTO REGION SPREADSHEET**
- 2) NTMM's WILL ROLL-UP AE's AND REGIONS TO SALES AREA SPREADSHEET**
- 3) TRADE MKTG. WILL ROLL-UP SALES AREAS TO NATIONAL SPREADSHEET**

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# **INSTALLATION RESOURCE SPREADSHEET "STRAWMAN"** **DIVISION # XXXX**

W/S TO POPULATE THIS COLUMN WITH # OF STORES	FIELD SALES TO POPULATE THESE COLUMNS BY # OF STORES							
ACCOUNTS	NO ACTION REQUIRED	CURRENT FULL-TIME RJR H/C	CURRENT PART-TIME RJR H/C	INCREMENTAL TEMPORARY LABOR	INCREMENTAL TEMPORARY LABOR  (I.E. Kelly, Manpower, etc.)	STORE MAINTENANCE PERSONNEL	LOCAL INSTALLERS	NATIONAL THIRD PARTY INSTALLATION
INDEPENDENTS  PACK    # OF STORES CARTON   # OF STORES								
			FIELD SALES WILL ENTER THE # OF STORES THAT THEY ESTIMATE WILL REQUIRE EACH RESOURCE.					
CHAINS  LISTED BY HDQTR RESPONSIBILITY # OF STORES								
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
	*	**	**					

\* This column represents the # of stores that are already NSS or require no action on our part.

\*\* These columns represent the # of stores that require only current fixture relocation or minor conversions that can be handled by either Full-time or Part-time RJR personnel.

All columns (except current Full-time RJR headcount) may be targeted against major net new fixture installations.

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## RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE

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### **SPREADSHEET DEFINITIONS:**

- 1) "NO ACTION REQUIRED" COLUMN - INSERT # OF STORES THAT REQUIRE NO ACTION BY RJR IN MERCHANDISING RECONFIGURATION.

*EXAMPLE: STORE(S) ARE ALREADY TOTAL NSS.*

- 2) "CURRENT FULL-TIME RJR HEADCOUNT" COLUMN - INSERT # OF STORES THAT CURRENT RJR FULL-TIME HEADCOUNT WILL HANDLE MERCHANDISING RECONFIGURATION.

*EXAMPLE: STORE IS GOING FROM SELF-SERVICE TO NSS, BUT ALL THAT IS REQUIRED IS RELOCATING CURRENT COUNTER DISPLAYS.*

- 3) "CURRENT PART-TIME RJR HEADCOUNT" COLUMN - INSERT # OF STORES THAT CURRENT RJR PART-TIME HEADCOUNT WILL HANDLE MERCHANDISING RECONFIGURATION.

*EXAMPLE: SMALL GROUP OF CHAINS OR INDEPENDENTS THAT REQUIRE NSS CONVERSION.*

- 4) "INCREMENTAL PART-TIME RJR HEADCOUNT" COLUMN - INSERT # OF STORES THAT REQUIRE ADDITIONAL RJR PART-TIME RESOURCES BEYOND CURRENT HEADCOUNT. NOTE: INCREMENTAL TEMPORARY LABOR SHOULD BE UTILIZED IF AT ALL POSSIBLE IN LIEU OF THIS RESOURCE DUE TO THE TEMPORARY NATURE OF THE WORK REQUIRED.

*EXAMPLE: GROUP OF STORES THAT COULD NOT FEASIBLY BE COVERED BY INCREMENTAL TEMPORARY LABOR PRIMARILY DUE TO LOCATION OF STORES (POSSIBLY VERY RURAL).*

- 5) "INCREMENTAL TEMPORARY LABOR" COLUMN - INSERT # OF STORES THAT REQUIRE ADDITIONAL PART-TIME TEMPORARY RESOURCES. NOTE: THIS IS THE BEST ALTERNATIVE VS. ADDITIONAL RJR PART-TIME SINCE RJR IS NOT INVOLVED IN RECRUITMENT AND SELECTION OF EVERY INDIVIDUAL AND WORK IS ASSIGNED ON A TEMPORARY PROJECT BASIS.

8155 19815 *EXAMPLE: KELLY AND/OR MANPOWER SERVICES AND OTHER TEMPORARY AGENCIES.*

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### **SPREADSHEET DEFINITIONS:** CONT.

- 6) "STORE MAINTENANCE PERSONNEL" COLUMN - INSERT # OF STORES THAT WILL PERFORM MERCHANDISING RECONFIGURATION WITH THEIR OWN MAINTENANCE PERSONNEL. NOTE: WHETHER CHAIN OR INDEPENDENT, THIS IS THE PREFERRED RESOURCE THAT RJR SHOULD ATTEMPT TO SELL AS A FIRST PRIORITY IN ALL SITUATIONS.

*EXAMPLE: A CHAIN ALREADY HAS THEIR OWN MAINTENANCE PERSONNEL THAT ARE A FIXED COST TO THE CHAIN. RJR SELLS THE CHAIN ON UTILIZING THEIR MAINTENANCE CREW (ON A NO-COST OR REIMBURSED COST BASIS) TO PERFORM MERCHANDISING INSTALLATION / CONVERSION.*

- 7) "LOCAL INSTALLERS" COLUMN - INSERT # OF STORES THAT WILL NOT UTILIZE OR DO NOT HAVE THEIR OWN MAINTENANCE PERSONNEL AND ARE TOO SMALL TO USE NATIONAL THIRD PARTY RESOURCES COST EFFECTIVELY.

*EXAMPLE: A SMALL GEOGRAPHICALLY TIGHT CHAIN (WITHIN REGION BOUNDARIES) THAT IS LABOR-INTENSIVE IN THE MERCHANDISING RECONFIGURATION AND REQUIRES SKILLED LABOR (I.E. ELECTRICAL, STRUCTURAL, ETC.)*

- 8) "NATIONAL THIRD PARTY" COLUMN - INSERT # OF STORES, PRIMARILY NATIONAL CHAINS, THAT WILL REQUIRE NATIONAL THIRD PARTY INSTALLATION ASSISTANCE FOR MERCHANDISING RECONFIGURATION. NOTE: THIS IS THE MOST EXPENSIVE INSTALLATION RESOURCE AVAILABLE TO RJR DUE TO TRAVEL, MEALS AND LODGING EXPENSES INCURRED. DUE TO COST FACTOR, THIS OPTION MUST BE UTILIZED AS A LAST RESORT.

*EXAMPLE: NATIONAL CHAIN WILL NOT COMMIT TO STORE MAINTENANCE PERSONNEL TO ASSIST IN MERCHANDISING RECONFIGURATION AND IS TOO GEOGRAPHICALLY DISPERSE TO UTILIZE LOCAL INSTALLERS.*

## RJR MERCHANDISER INSTALLATION TO "NEW WORLD" PLANNING FOR THE FUTURE

### IMMEDIATE NEXT STEPS

NEXT STEPS	ACCOUNT	COMPLETION DATE
FINALIZE FIELD SALES QUESTIONNAIRE FOR RSM DISCUSSION (PRE-FORMATTED FEEDBACK SURVEY).	TMG/SP	1/13/98
REVIEW / OBTAIN APPROVAL FOR QUESTIONNAIRE AND ASSUMPTIONS FROM EXECUTIVE MANAGEMENT	TMG/SP/SMMO	1/13/98
MEET WITH RSM's / AE's • IMPERATIVE THAT ALL AE'S ARE IN ATTENDANCE	NTMM	1/30/98
DEFINE UNIVERSE BY EACH ASSIGNED CHAIN FOR EITHER CHAIN MAINTENANCE PERSONNEL OR NATIONAL TPI (DEPENDENT ON CHAIN'S ABILITY). SUBMIT TO NTMM's.	AE	2/13/98
DEFINE UNIVERSE BY RESOURCE REQUIRED BY DIVISION LEVEL (CHAIN & DIVISION) ROLLING UP TO REGION LEVEL AND SUBMIT TO NTMM's.	ROU/ROM	2/13/98
FIELD INPUT RECEIVED AND REVIEWED IN WINSTON-SALEM	AMO/NTMM	2/20/98
CONSOLIDATE REGION INPUT AND AE PLANS (BY RESOURCE) TO SALES AREA LEVEL. OBTAIN AVP APPROVAL.	NTMM/AVP	2/23/98
DETERMINE / APPROVE BUDGET FOR MATERIALS AND INSTALLATION RESOURCES: • ROU (PART-TIME, TEMPORARY LABOR AND LOCAL INSTALLERS) • STORE MAINTENANCE • NATIONAL (TPI)	FINANCE	2/24/98
REVIEW FINAL PLAN / OBTAIN APPROVAL FROM JVM	NTMM/AMO	2/25/98
SUBMIT NATIONAL TPI REQUIREMENTS AND BUDGET TO SMMO	TMG/FINANCE	2/25/98
FORMULATE CONTINGENCY PLAN AT DIVISION LEVEL: • BEGIN BUILDING ROU LABOR RESOURCE POOL (PART-TIME, TEMPORARY LABOR AND LOCAL INSTALLERS)	ROU/ROM	TBD
FINALIZE NATIONAL TPI REQUIREMENTS, ISSUE CONTRACT(S) AND START EXECUTION PLANNING.	SMMO	2/27/98

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